ARLINGTON FINANCE COMMITTEE
MINUTES OF MEETING
4/5/21 7:30 PM
Conducted by Remote Participation - Zoom Meeting

ATTENDEES:

Gibian	l	Padaria	p	Pokress	p	Kellar		McKenna	p
Blundell	p	Wallach	p	Harmer	p	Tosti	p		
Ellis	l	Foskett	p	Deyst	l	Kocur	p		
Healy	p	Beck	p	Jones	p	Deshler	p		
Franclemont	p	Howard	p	LaCourt	p	Carman	p	Diggins	p

p Indicates present, l indicates late

VISITORS: Kirsi Allison-Ampe, Len Kardon

1. INTRODUCTION: Foskett read the rules for the meeting as formulated by Town Counsel based on the Governor's authorization. An important rule is that all votes be by role call. Attendance was taken by roll call.
Note: A vote of "unanimous" means "unanimous vote by all present". The Chair votes only when there is a tie. Note that Warrant article numbers are written: ART New Number (Old Number)

Foskett announced the death of Elaine Shea, a lifelong Arlingtonian, a volunteer town social worker, mother of 6 and wife of former FinCom member Bill Shea. She will be missed.

2. MINUTES of 3/31/21approved unanimously as corrected.

3. ART 53(60) RECLASSIFICATION: Pers SubCom Healy reviewed the 8 changes to the Pay & Classification Plan (Ref 1). There were 9 applicants, 2 were turned down of which 1 successfully appealed. Healy recommended the total of the increases not already in the budgets.
VOTED $6454* not already in the department budgets and the changes listed in Ref 1. Unanimous
* Includes correction for the error approve administratively on 4/7/21.

4. ART 13(13) JUNTEENTH: Pers SubCom Healy recommended support. Some members said that this article addresses an important social injustice. TMMs might want to know what the FinCom thinks. The holiday is being

negotiated with the unions. There may be financial impact eventually but this article would not affect the negotiations. Some members said this is a SB matter. A motion to substitute No Report failed by a vote of 3-16 See Ref 2.
VOTED to support the SB 16-2-1

4. ART 12(12) INDIGENOUS PEOPLES DAY: Deshler moved favorable action. The members made arguments similar to those made on ART13.
VOTED to support the SB 12-2-4 See Ref 2.

5. ART 15 DOMESTIC PARTNERSHIP: The Chair withdrew this article from consideration w/o objection from the members.

6. EDUCATION Foskett presented a well-researched and thoughtful report (Ref 3) as his response to the Education Budget that the School CFO presented to the FinCom on 3/31/21. He described that report as accurate, and transparent but not in step with the Town's long range plan. He showed that the 7% annual increase in SPED expense was much greater than the actual increase in SPED spending. The unused money was used to balance other School Budget accounts instead of being returned to free cash or the override fund. He asked Carman with his subcommittee of Pokress & Blumdell to review his work, discuss with the school budget people, return to the FinCom with any new data and recommend an approach for the FinCom.
The following comments were made in the ensuing discussion. Open debate over correct use of funds might lead residents to be confident in the Town's leadership and vote for an override. Some other matric than growth factor might be considered such a 5 yr rolling average. It is unclear what to do. A 7% annual growth doubles in 10 yrs - unsustainable. A hard look is justified. Any return of school funds must be collaborative. Good work – when do we decide?

School Committee Members were invited to speak. Allison-Ampe said she had not had time to study the report but promised to do so. Kardon believes that Arlington schools are seriously under funded.

7. RESERVE FUND BALANCE: $1,556,724

COMMITTEE: The House Ways & Means Committee is expected to release the state budget on 4/14. Foskett requested members leave that date open for a meeting in case there are important changes.

The meeting adjourned at 10:00PM.

Peter Howard
4/6/21

Ref 1 Changes to Pay & Classification Plan
Ref 2 Roll Call Votes
Ref 3 The Education Budget and Arlington's Financial Planning

Ref 1

2021 Town Meeting Request – Positions Reclassification Article 53

1. <u>By reclassifying the following positions</u>

A. Benefits Attorney/Worker's Compensation Agent M3 to M2 Legal	FTE 1	
B. Coordinator of Diversity Equity and Inclusion MTP8 to MTP9 Department of Health and Human Services	FTE 1	
C. Assistant Town Manager – M1 to M3 Town Manager	FTE 1	
D. Office Manager – HHS – OA6 to ATP4 Department of Health and Human Services	FTE 1	$734
E. Office Manager – Library OA6 to ATP4 Libraries	FTE 1	$9,968
F. Director of Health and Human Services M1 to M2 Department of Health and Human Services	FTE 1	$13,726
G. Director of Public Health MTP11 to MTP13 Department of Health and Human Services	FTE 1	$14,259
H. Senior Clerk and Typist – Town Clerk OA2 to OA3 Town Clerk	FTE 2	$10,677
I. Animal Control Officer ATP3 to ATP4 Police	FTE 1	$7,477
J. Head of Circulation ATP4 to ATP6 Libraries	FTE 1	$6,613
K. Administrative Assistant – Facilities ATP6 to ATP4 Facilities	FTE 1	

2. <u>By adding the following positions</u>:

A. Deputy Town Counsel/Worker's Compensation Agent M2
Legal

B. Director of Diversity Equity and Inclusion MTP9
Department of Health and Human Services

C. Deputy Town Manager –Finance M3
Town Manager

D. Deputy Town Manager – Operations M3
Town Manager

E. Chief Information Officer M3
Information Technology

F. School Sustainability Coordinator MTP 4
Public Works

G. DEI (Diversity Equity and Inclusion) Assistant – OA5
Department of Health and Human Services

H. Principal Clerk – Town Clerk OA3
Town Clerk

3. <u>By deleting the following positions</u>:

A. Benefits Attorney/Worker's Compensation Agent M3
Legal

B. Coordinator of Diversity Equity and Inclusion MTP8
Health and Human Services

C. Deputy Town Manager M3
Town Manager

D. Assistant Town Manager M1
Town Manager

E. Chief Technology Officer M3
Information Technology

F. Senior Clerk and Typist – Town Clerk OA2
Town Clerk

Ref 2

		Attendance	Art 13 No report	Art 13 Support SB	Art 12 Suppoer SB				
1	Grant Gibian	l	n	y	y				
2	Shane Blundell	p	n	y	y				
3	John Ellis	l	n	y	a				
4	Michaiah Healy	p	n	y	y				
5	Mary Margaret Franclemont	p	n	y	y				
6	Ari Padaria	p	y	a	a				
7	Johnathon Wallach	p	n	y	y				
8	Charlie Foskett	p							
9	Brian Beck	p	n	y	n				
10	Pete Howard	p	y	n	n				
11	Shaileen Crawford Pokress	p	n	y	y				
12	Darrel Harmer	p	n	y	y				
13	John Deyst	l	n	y	y				
14	Alan Jones	p	n	y	y				
15	Annie LaCourt	p	n	y	y				
16	Bill Kellar								
17	Allan Tosti	p	y	a	a				
18	George Kocur	p	n	y	y				
19	Christine Deshler	p	n	y	y				
20	Dean Carman	p	n	y	a				
21	Dave McKenna	p	n	y	y				
	Liz Diggins	p							

Ref 3

The Education Budget and Arlington's Financial Planning

April 5, 2021

C. Foskett

Topics

- Arlington's Financial Planning Process
- APS Budgeting and Special Education Costs
- APS Reporting to DESE
- FY 22 Budget Presentation to the Finance Committee
- COVID Related Expenses
- Analyzing Five Year Planning Model vs. Actual Expense for Education
- Alternatives for a Way Forward

Introduction

The purpose of this document is to examine the Town's budgeting process for Arlington's Education Budget as practiced in recent years under the "Long Range Plan" and review the FY 22 Proposed Education Budget and recent School expenses in comparison to these processes. The intent is to provide the Finance Committee with access to historical and current data to enable an open discussion on the Proposed Net School Budget for FY 22. No doubt these discussions will raise additional questions, for which the Finance Committee should seek answers from APS before acting on the proposed budget.

Arlington's Five-Year Planning Process

- Started in 2005 as "The Lyon's Plan"
  - Use override to raise enough for multi year structural deficit coverage
  - Build override stabilization account reserve until costs exceed expenses, then dray down from stabilization fund for several years until stabilization fund is exhausted
- Overrides to fund the planning process
  - 2005 first applied with $6 million override referendum
  - 2011 second referendum $6.49 million
  - 2019 third referendum for $5.5 million
- Estimated override in 2023: $13 million -$18 million (S. Pooler 2/24/21)
- There is considerable concern that the requirement may be higher; there is also concern as to how the taxpayers will react to this demand

Long Range Planning Conventions

- Initially Town and school budgets planned to grow at 3.5% per year
- Town management reduced the Town-side growth rate to 3.25% per year
- In FY 2013, due to high SPED costs and variability, the LRPC increased SPED growth to 7% per year based on cost driver of Out-of-District (OOD) tuition and related costs. The 7% growth rate was accepted by the Finance Committee and Town Meeting based on costs described by APS.
- In FY 2015 a Student Population Growth Factor was introduced to accommodate the impact of a growing school population.
  - This was initially an increase of 25% of the certified educational cost per student and later raised to 50%. The annual adjustment rolls into the base General Education cost.
  - At the time of implementation, it was agreed by APS and the Finance Committee that if the student population dropped, these increases would be rolled back out of the base budget on a *pro rata* basis.

APS Reporting to DESE 2008-2019

- APS provides standardized reports to DESE each year
- Excerpts from the APS reports are shown at right for OOD Tuition and for Total SPED Expenditures (the full table is on the next page)

:husetts Department of Elementary and Secondary Edu

:ct Special Education Expenditures, FY08 to F

INGTON

Arlington

B	G	K
Fiscal Year	Out-of-District Tuition Mass Private and Out-of-State Schools	Total Special Education Expenditures (sum of C through J)
2008	3,517,675	12,602,337
2009	3,024,854	12,397,825
2010	3,368,893	15,025,507
2011	3,554,683	13,399,866
2012	4,502,618	15,608,763
2013	4,438,865	16,457,014
2014	4,853,366	17,886,835
2015	4,320,326	18,135,980
2016	4,302,749	18,622,810
2017	5,913,264	20,932,614
2018	5,865,801	21,996,463
2019	5,537,280	21,594,589

APS Data Reported to DESE

12/7/2020

Massachusetts Department of Elementary and Secondary Education

Direct Special Education Expenditures, FY08 to FY19

10 - ARLINGTON

10 Arlington

A	B	C	D	E	F	G	H	I	J	K	L	M	N
		-- In-District Instruction--				- Out-of-District Tuition -		-- Other Expenditures --					
	Fiscal Year	Teaching	Other Instructional	Transportation	Mass. Public Schools and Collaboratives	Mass Private and Out-of-State Schools	Transportation	Non-public health services	Spending from Grants and Revolving Funds	Total Special Education Expenditures (sum of C through J)	Total Expenditures	Special Education Percentage of Total Expenditures (K as % of L)	*Statewide* Special Education Percentage of Total Expenditures
	2008	4,497,755	693,834	337,210	1,565,336	3,517,675	701,397	0	1,289,130	12,602,337	55,596,059	23%	19%
	2009	4,655,670	842,873	460,848	1,402,924	3,024,854	729,675	0	1,280,981	12,397,825	57,389,017	22%	20%
	2010	4,461,876	774,228	563,803	1,632,151	3,368,893	449,700	383,570	3,391,286	15,025,507	62,138,370	24%	20%
	2011	3,733,926	997,933	376,726	1,571,590	3,554,683	413,185	486,153	2,265,670	13,399,866	58,967,076	23%	20%
	2012	4,718,559	1,502,860	340,291	1,701,196	4,502,618	666,631	540,779	1,635,829	15,608,763	63,072,662	25%	21%
	2013	5,118,288	1,885,511	508,199	1,779,449	4,438,865	515,567	790,719	1,420,416	16,457,014	63,919,362	26%	21%
	2014	5,658,524	2,096,238	541,047	1,991,787	4,853,366	622,761	741,542	1,381,570	17,886,835	68,448,292	26%	21%
	2015	5,844,748	2,412,543	579,051	2,134,908	4,320,326	655,690	821,108	1,367,606	18,135,980	72,601,544	25%	21%
	2016	6,834,827	2,747,162	679,547	1,950,820	4,302,749	584,928	0	1,522,777	18,622,810	76,533,654	24%	22%
	2017	7,487,293	3,001,850	772,293	1,445,277	5,913,264	772,293	0	1,540,344	20,932,614	80,996,098	26%	22%
	2018	8,035,787	3,063,436	728,244	2,087,951	5,865,801	766,075	0	1,449,169	21,996,463	85,549,467	26%	22%
	2019	8,412,714	3,339,611	928,636	1,573,442	5,537,280	591,877	0	1,211,029	21,594,589	89,159,543	24%	22%

Data Sources

End of Year Financial Report Schedule 1 - Expenditures, Schedule 4 - Special Education Expenditures, and Schedule 7 - Transportation.

Special Education Expenditures

Direct special education expenditures refers to spending that can be related specifically to special education pupils.

The *Other Instructional* category includes textbooks, instructional equipment, supervisory, guidance, and psychological services.

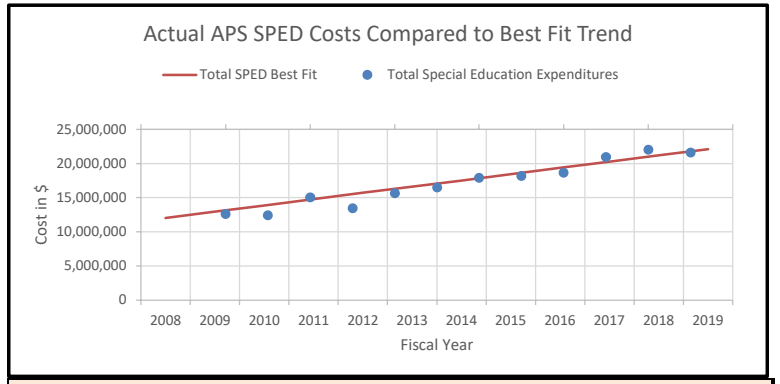
Mass. Public Schools and Collaboratives includes other public school districts, collaboratives, and charter schools.

Total School Expenditures

Total expenditures includes spending from all funds and functions from Schedule 1 excluding Community Services (6000 series); Acquisition, Improvement and Replacement of Fixed Assets (7000 series); Debt Retirement and Service (8000 series); Indirect Cost Transfers (function 5990); and Short Term Interest Bond Anticipation Notes (function 5450).

Analyzing APS SPED Growth Rates

- Chart to right is for Total SPED costs 2008-2019 using APS data reported to DESE
- Table to right includes both OOD and total SPED costs
- Compound growth and variances are calculated for both 2008-2019 and 2014-2019
- Long term compound growth is higher because actual growth rates are decreasing
- In the worst case, compound growth for SPED is 5.02%. For the most recent five years it is 3.84% based on the APS data reported to DESE



		OOD	Total SPED
From	2008	3,517,675	12,602,337
To	2019	5,537,280	21,594,589
Years		11	11
Compound Growth		**4.21%**	**5.02%**
Standard Deviation		410,978	708,267
Standard Deviation %		9.02%	4.04%
From	2014	4,853,366	17,886,835
To	2019	5,537,280	21,594,589
Years		5	5
Compound Growth		**2.67%**	**3.84%**
Standard Deviation		486,965	591,307
Standard Deviation %		9.22%	2.92%

Arlington Per Pupil Expenditure vs TM 12

- Latest data from DESE (4/21)
- APS rose from 11th in FY 19 to 7th in FY 20
- 7th is higher than the prior 8 years
- Arlington has not been underfunding its schools

Town of Arlington, MA

Analysis of Per Pupil Spending versus Comparable Communities

http://profiles.doe.mass.edu/statereport/ppx.aspx

District	2008-2009 Avg.	2009-2010 Avg.	2010-2011 Avg.	2011-2012 Avg.	2012-2013 Avg.	2013-2014 Avg.	2014-2015 Avg. (NNS = 25%)	2015-2016 Avg. (NNS = 25%)	2016-2017 Avg. (NNS = 35%)	2017-2018 Avg. (NNS = 35%)	2018-2019 Avg.	2019-2020 Avg.
ARLINGTON	11,685	12,502	12,942	12,603	12,546	13,085	13,383	13,984	14,223	14,594	14,601	15,629
BELMONT	11,301	11,609	11,969	12,259	12,659	12,799	13,029	13,349	13,582	14,246	14,820	15,280
BROOKLINE	15,431	17,090	16,556	16,626	16,924	17,291	17,652	18,866	19,528	19,922	20,543	21,256
MEDFORD	13,376	12,818	13,005	13,032	13,960	14,733	16,006	17,044	16,931	17,990	18,322	20,558
MELROSE	10,264	10,493	10,588	11,176	11,505	11,915	12,058	12,003	12,175	12,327	12,401	12,717
MILTON	11,340	11,792	12,613	12,816	12,992	13,499	14,116	14,388	14,855	15,469	15,785	15,508
NATICK	12,279	12,910	12,649	13,146	13,511	13,550	14,044	14,291	15,469	16,393	16,195	16,745
NEEDHAM	12,552	13,245	13,602	13,742	14,320	15,020	15,900	16,547	17,307	18,149	18,827	19,193
NORTH ANDOVER	10,479	11,277	11,503	11,603	11,769	11,889	12,055	12,639	12,738	13,136	14,191	14,996
READING	10,407	10,749	10,976	11,051	11,281	11,807	12,520	13,285	13,562	14,202	14,947	15,250
STONEHAM	10,827	11,577	12,449	13,226	13,864	14,517	14,940	15,222	15,520	16,673	17,107	17,865
WATERTOWN	15,974	15,985	16,008	16,493	17,279	17,292	20,134	20,720	21,148	21,795	22,423	22,880
WINCHESTER	10,865	11,363	11,822	11,954	12,380	12,579	12,801	13,312	13,547	14,122	14,710	15,271
STATE TOTALS	12,447	13,055	13,354	13,637	14,022	14,518	14,942	15,545	15,911	16,495	17,150	17,511
AVERAGE	12,060	12,570	12,822	13,056	13,461	13,844	14,511	15,050	15,429	16,078	16,529	17,165
MEDIAN PER PUPIL	11,340	11,792	12,613	12,816	12,992	13,499	14,044	14,291	14,855	15,469	15,785	15,629
HIGHEST PER PUPIL	15,974	17,090	16,556	16,626	17,279	17,292	20,134	20,720	21,148	21,795	22,423	22,880
LOWEST PER PUPIL	10,264	10,493	10,588	11,051	11,281	11,807	12,055	12,003	12,175	12,327	12,401	12,717
ARLINGTON VS. AVG	(374)	(68)	120	(453)	(915)	(759)	(1,128)	(1,066)	(1,207)	(1,484)	(1,928)	(1,536)
ARLINGTON VS. MED	346	710	329	(213)	(446)	(414)	(661)	(307)	(632)	(875)	(1,184)	-
ARLINGTON VS. HIGH	(4,288)	(4,588)	(3,614)	(4,023)	(4,733)	(4,207)	(6,751)	(6,736)	(6,925)	(7,201)	(7,822)	(7,251)
ARLINGTON VS. LOW	1,421	2,009	2,354	1,552	1,265	1,278	1,328	1,981	2,048	2,267	2,200	2,912

District	2008-2009 Rank	2009-2010 Rank	2010-2011 Rank	2011-2012 Rank	2012-2013 Rank	2013-2014 Rank	2014-2015 Rank (NNS = 25%)	2015-2016 Rank (NNS = 25%)	2016-2017 Rank (NNS = 35%)	2017-2018 Rank (NNS = 35%)	2018-2019 Rank (NNS = 35%)	2019-2020 Rank (NNS = 50%)
ARLINGTON	6	6	5	8	9	8	8	8	8	8	11	7
BELMONT	8	8	9	9	8	9	9	9	9	9	9	9
BROOKLINE	2	1	1	1	2	2	2	2	2	2	2	2
MEDFORD	3	5	4	6	4	4	3	3	4	4	4	3
MELROSE	13	13	13	12	12	11	12	13	13	13	13	13
MILTON	7	7	7	7	7	7	6	6	7	7	7	8
NATICK	5	4	6	5	6	6	7	7	6	6	6	6
NEEDHAM	4	3	3	3	3	3	4	4	3	3	3	4
NORTH ANDOVER	11	11	11	11	11	12	13	12	12	12	12	12
READING	12	12	12	13	13	13	11	11	10	10	8	11
STONEHAM	10	9	8	4	5	5	5	5	5	5	5	5
WATERTOWN	1	2	2	2	1	1	1	1	1	1	1	1
WINCHESTER	9	10	10	10	10	10	10	10	11	11	10	10

Data provided by Dean Carman

APS Budget Presentation of 3/31/2021

- Note FY 2019, Line F - a positive surplus in OOD of $1,273,904
- Note FY 2020, Line F – a positive surplus of $3,180,356
- Note FY 2019 and 2020, line E ($912,592) and ($822,547) for combined overruns in operations and maintenance (O&M) of ($1,735,139) over the two years. These overruns are surprising.
- Note FY 2020 Line I, $1,368,310 APS paid OOD tuition in advance to enable APS to avoid returning that surplus money to the Override Stabilization Fund
- In FY 2019 O&M was over budget by 15.6% and in FY 2020 by 13.7% and the cumulative overrun was financed by SPED rather than being controlled by APS management

FY19 and FY20 Budget vs. Actual

Expense Category	FY19 Budget	FY19 Actual	FY19 Variance	FY20 Budget	FY20 Actual	FY20 Variance
A - Instructional Services	35,790,021	36,049,574	(259,553)	39,545,180	39,866,520	(321,340)
B - Special Education & Pupil Services	13,117,339	12,515,961	601,378	14,111,816	13,714,715	397,101
C - Instructional Support	1,753,069	1,933,135	(180,066)	1,828,195	2,116,534	(288,339)
D - Management Services	2,858,631	2,926,998	(68,367)	3,011,234	2,775,206	236,028
E - Operations/Maintenance	5,858,153	6,770,745	(912,592)	6,004,734	6,827,281	(822,547)
F - Student OOD Tuition & Transportation	6,875,809	5,601,905	1,273,904	6,925,980	3,745,624	3,180,356
H - Special Education Reserve	-	246,444	(246,444)	-	418,062	(418,062)
I - Prepaid Student OOD Tuition	-	-	-	-	1,368,310	(1,368,310)
Total	**66,253,022**	**66,044,762**	**208,260**	**71,427,139**	**70,832,251**	**594,888**

10

The combined OOD surpluses in FY 19 and FY 20 total $4,454,260. <u>This supports the premise that SPED growth is really 3.84% and not 7% as claimed by APS.</u> These excess funds should have been returned to the Override Stabilization Fund

How FY 20 SPED Funds Were Used

- There was a $1.197 million overrun in "General Education" offset by SPED surplus of $3.577 million.
- $418,000 was put into a SPED reserve
- $1.368 million was shifted into FY 21 to avoid returning to Free Cash and the Override Stabilization Fund

FY20 Budget vs. Actual				Application of Funds				
Expense Category	FY20 Budget	FY20 Actual	FY20 Variance	Geneneral Education Vs Budget	SPED Surplus	Sped Reserve	FY 21 Advance Payment	Total
A - Instructional Services	39,545,180	39,866,520	(321,340)	(321,340)				
B - Special Education & Pupil Services	14,111,816	13,714,715	397,101		397,101			
C - Instructional Support	1,828,195	2,116,534	(288,339)	(288,339)				
D - Management Services	3,011,234	2,775,206	236,028	236,028				
E - Operations/Maintenance	6,004,734	6,827,281	(822,547)	(822,547)				
F - Student OOD Tuition & Transportation	6,925,980	3,745,624	3,180,356		3,180,356			
H - Special Education Reserve	-	418,062	(418,062)			(418,062)		
I - Prepaid Student OOD Tuition	-	1,368,310	(1,368,310)				(1,368,310)	
Total	**71,427,139**	**70,832,251**	**594,888**	**(1,196,198)**	**3,577,457**	**(418,062)**	**(1,368,310)**	**594,887**

APS Proposes to Divert SPED Funds in FY 22

- APS again proposes to divert over-estimated SPED funds
- In FY 22 proposal, APS proposes to add 39.6 FTE at a total cost of $4.5 million.
- In FY 21 APS added 66.6 FTE above the budget. Even if the average FTE cost is 10% less, that is a P/R variance of $6.8 million.
- How was this funded? COVID Funds and SPED money?

FY22 Proposed Budget Changes Summary

Net increase in Town Appropriation		4,534,103
Contractual/Salary Increases	(2,372,189)	
Increase in Utilities	(260,000)	
Curriculum Materials & Department Budget Increases	(733,367)	
Reallocation of Out of District Tuition	1,234,888	
Subtotal	(2,130,668)	
Left for Proposed Additions		2,403,435

18

FY 22 Added Personnel Cost	4,534,103
FTE Count added	39.6
Average FY 22 Cost Per FTE	114,498
FY 21 Budget FTE	958.1
FY 21 Actual FTE	1,024.7
FY 21 Variance FTE	(66.6)
Assume % lower cost/FTE	10%
Est. FY 21 Payroll Variance	(6,859,892)

COVID Expense and Reimbursement

- It is not clear if all COVID-related expenses are covered
- There may be more grants or funding than is listed here
- This information is preliminary
- A more completed reconciliation has been requested

Preliminary Estimates From Comptroller	Estimate	Received	Spent	Potential		DESE	Town Cares Act	General Fund in School Budget
Esser	154,245	116,113	122,141	122,141		154,245		
CvRF	1,368,225	687,703	1,476,573	1,476,573		1,368,225		
Covid Prevention	96,812	96,812		96,812		96,812		
Cares 1 (from Town)	745,993	745,993	745,993	745,993			745,993	
Cares 2 (from Town)	480,571			480,571			480,571	
Total	**2,845,846**	**1,646,621**	**2,344,707**	**2,922,090**		**1,619,282**	**1,226,564**	
Mike Mason 3/31 Presentation	**FY 20 Actual**	**FY 21 Actual**	**FY 21 Encumbrances**	**Total**		**DESE**	**Town Cares Act**	**General Fund in School Budget**
General Fund	89,851	709,111	230,512	939,623				939,623
DESE COVID-19 Grants		1,623,675	240,669	1,864,343		1,864,343		
Municipal CARES Funds	573,746	772,398		1,346,144			1,346,144	
Total Expenditures	**663,597**	**3,105,184**	**471,180**	**4,150,111**		**1,864,343**	**1,346,144**	**939,623**
				Variance		(245,061)	(119,580)	(939,623)

Looking at APS Appropriation History

- The data at right are from the historic LRP data file on SharePoint
- The % growth in various subcategories are calculated
- The increase in Gen Ed base due to the cumulative 3.5% compounding of the student population growth amount is shown for each year. The FY2022 population growth number should be zero because it is in a FinCom reserve fund. This analysis could be used to correct the base budget if the student population continues to drop.
- The cumulative effect of the 2019 O/R referendum is also shown
- At the bottom is the Gen Education budget less the population growth factor and less the 2019 O/R contributions
- The compound five-year growth rate of the entire budget is 7.02%. The growth rate of the adjusted Gen Ed budget is 5.03%

	FY 2015 RECAP	FY2016 Recap	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
	50,729,968	53,574,114				600,000	140,000	
General Education Costs	32,518,318	34,572,590	36,502,362	38,787,542	43,981,008	46,381,443	50,183,324	52,664,770
Special Education Costs*	16,356,500	17,501,455	18,726,557	20,037,415	21,440,034	22,940,836	24,546,695	26,264,964
Kindergarten Fee Offset	970,000	970,000	970,000	970,000	0			970,000
Growth Factor	885,150	530,069	973,524	1,133,528	831,980	1,504,860	700,512	744,756
Net School Budget	**50,729,968**	**53,574,114**	**57,172,443**	**60,928,485**	**66,253,022**	**71,427,139**	**75,570,531**	**80,644,490**
General Education Costs	3.5%	6.3%	5.6%	6.3%	13.4%	5.5%	8.2%	4.9%
Special Education Costs*	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Kindergarten Fee Offset	0.0%	0.0%	0.0%	0.0%				
Growth Factor		-40.1%	83.7%	16.4%	-26.6%	80.9%	-53.5%	6.3%
Net School Budget	6.4%	5.6%	6.7%	6.6%	8.7%	7.8%	5.8%	6.7%
Net School Budget Five Year Compound Growth Rate							7.12%	
FY 2015	885,150	916,130	948,195	981,382	1,015,730	1,051,281	1,088,075	1,126,158
FY 2016		530,069	548,622	567,824	587,697	608,267	629,556	651,591
FY 2017			973,524	1,007,597	1,042,863	1,079,363	1,117,141	1,156,241
FY 2018				1,133,528	1,173,201	1,214,264	1,256,763	1,300,749
FY 2019					831,980	861,099	891,238	922,431
FY 2020						1,504,860	1,557,530	1,612,044
FY 2021							700,512	725,030
FY 2022								744,756
Cumulative Growth Factor	**885,150**	**1,446,200**	**2,470,341**	**3,690,331**	**4,651,472**	**6,319,134**	**7,240,815**	**8,239,000**
2019 O/R increase								
FY 2020						600,000	621,000	642,735
FY 2021							140,000	144,900
FY 2022								970,000
Cum O/R Amount						**600,000**	**761,000**	**1,757,635**
Gen Ed Less Growth Factor & O/I	**32,518,318**	**33,656,459**	**35,005,545**	**36,230,739**	**40,161,516**	**41,567,169**	**43,022,021**	**43,412,891**
		3.500%	4.008%	3.500%	10.849%	3.500%	3.500%	0.909%
							Gen Ed 5 Yr Compound Growth Rate	
							5.03%	

Following the Planning Protocols

SPED Growth 7%

	FY 2015 RECAP	FY2016 Recap	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Ed Theoretical		33,656,459	34,834,436	36,053,641	37,315,518	38,621,561	39,973,316	41,372,382
SPED		17,501,455	18,726,557	20,037,415	21,440,035	22,940,837	24,546,696	26,264,964
Kindergarten Fee Offset		970,000	970,000	970,000				
Growth Factor		1,446,200	2,470,341	3,690,331	4,651,472	6,319,134	7,240,815	8,239,000
2019 O/R						600,000	761,000	1,757,635
Theoretical Net School Budget		53,574,114	57,001,333	60,751,387	63,407,025	68,481,532	72,521,827	77,633,981
Annual Difference from Actual Net School Budget		**0**	**171,110**	**177,098**	**2,845,997**	**2,945,607**	**3,048,704**	**3,010,509**
Cumulative Difference		**0**	**171,110**	**348,208**	**3,194,205**	**6,139,812**	**9,188,516**	**12,199,025**

- The Top line uses FY2016 Gen Ed as a base year and calculates the “theoretical” Gen Ed budget at a 3.5% growth rate
- The SPED, Kindergarten offset, Growth factor and O/R impact are those used in the five-year planning process
- These added together are the “Theoretical Net School Budget”
- The lines at the bottom show the difference from the actual annual appropriations and the budget if calculated according to the protocols
- It appears that beginning in FY 2019, the APS has been receiving about $3 million per year above the LRP model protocols. Through FY 2021 this amount is $9,188,516

The Impact of Overstated SPED Growth

SPED Growth 4%

	FY 2015 RECAP	FY2016 Recap	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Ed Theoretical		33,656,459	34,834,436	36,053,641	37,315,518	38,621,561	39,973,316	41,372,382
SPED		17,010,760	17,691,190	18,398,838	19,134,791	19,900,183	20,696,190	21,524,038
Kindergarten Fee Offset		970,000	970,000	970,000				
Growth Factor		1,446,200	2,470,341	3,690,331	4,651,472	6,319,134	7,240,815	8,239,000
2019 O/R						600,000	761,000	1,757,635
Theoretical Net School Budget		53,083,419	55,965,966	59,112,809	61,101,782	65,440,878	68,671,321	72,893,055
Annual Difference from Actual Net School Budget		**490,695**	**1,206,476**	**1,815,676**	**5,151,240**	**5,986,261**	**6,899,210**	**7,751,435**
Cumulative Difference		**490,695**	**1,697,171**	**3,512,847**	**8,664,088**	**14,650,349**	**21,549,558**	**29,300,993**

- The above chart is the same as the prior except that budgeted SPED growth is 4%, close to what APS has reported to DESE
- The cumulative difference versus the Actual Net Educational Budget is $21,549,558 through FY 2021, is $12.3 million higher than the previous slide.
- If the Arlington was actually following the LRP protocols and if APS was budgeting SPED growth at the actual growth rate they report to DESE, the Override Stabilization Fund would be **between $12 million and $21 million higher and the Town might not be facing a fiscal crisis in 2023.**

A Way Forward

Some Ideas for Next Steps

- The first step is for Finance Committee members and Town and School management to vet this analysis
- Assuming the analysis is reasonable, the Finance Committee could undertake various alternatives singly or in combination:
    1. Do nothing and accept the APS budget as proposed
    2. Request APS to return to free cash and the override stabilization fund current OOD/SPED surpluses and COVID expenses that are covered by state or federal funds
    3. Reduce forward SPED growth budgeting to 4.5% from 7%
    4. Back out unjustified student population growth numbers from the baseline Gen Ed cost
    5. There may be other possibilities…
- FinCom has requested additional information from APS
- Dean Carman and his working group can work with APS to
    1. Verify these numbers, and
    2. Collect additional information and bring it to the Finance Committee

A Possible Approach

		FY 2022
General Education Costs	3.5%	52,664,770
Special Education Costs	4.5%	25,651,296
2019 Override Factor		970,000
Growth Factor is in Reserve Fund		
Net School Budget		79,286,067